Data as of 06/30/2022

NWCM

Fund and Share Class Review

Clackamas County Plans

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Legend	
Keep	Fund Change
Share Class Change	Add

Clackamas County Plans

Fund Mapping Table

Data as of 06/30/2022

Comment: NWCM recommends the fund and/or share class changes below.

Current Lineup							**Proposed Lineup**			
Fund Name	**% of Assets**	**Assets**	**Gross Exp Ratio**	**Revenue Share**	**Net Exp Ratio**	**Action**	**Fund Name**	**Gross Exp Ratio**	**Revenue Share**	**Net Exp Ratio**
US Large Cap							**US Large Cap**			
Vanguard Institutional Index I (VINIX)	7.75%	$15,809,386	0.04%	0.00%	0.04%	Keep	Vanguard Institutional Index I (VINIX)	0.04%	0.00%	0.04%
Neuberger Berman Sustainable Eq R6 (NRSRX)	8.22%	$16,785,384	0.57%	0.00%	0.57%	Fund Change	Parnassus Core Equity Institutional (PRILX)	0.61%	0.10%	0.51%
JPMorgan Equity Income R6 (OIEJX)	4.66%	$9,513,344	0.46%	0.00%	0.46%	Keep	JPMorgan Equity Income R6 (OIEJX)	0.46%	0.00%	0.46%
US Mid Cap							**US Mid Cap**			
Vanguard Mid Cap Index Institutional (VMCIX)	3.52%	$7,187,252	0.04%	0.00%	0.04%	Keep	Vanguard Mid Cap Index Institutional (VMCIX)	0.04%	0.00%	0.04%
T. Rowe Price Mid-Cap Growth I (RPTIX)	2.42%	$4,946,063	0.61%	0.00%	0.61%	Keep	T. Rowe Price Mid-Cap Growth I (RPTIX)	0.61%	0.00%	0.61%
US Small Cap							**US Small Cap**			
Vanguard Small Cap Index I (VSCIX)	3.46%	$7,055,865	0.04%	0.00%	0.04%	Keep	Vanguard Small Cap Index I (VSCIX)	0.04%	0.00%	0.04%
JPMorgan Small Cap Equity R6 (VSENX)	0.99%	$2,011,010	0.74%	0.00%	0.74%	Keep	JPMorgan Small Cap Equity R6 (VSENX)	0.74%	0.00%	0.74%
International - Developed							**International - Developed**			
Vanguard Developed Markets Index Admiral (VTMGX)	0.67%	$1,371,414	0.07%	0.00%	0.07%	Share Class Change	Vanguard Developed Markets Index Instl (VTMNX)	0.05%	0.00%	0.05%
American Funds Europacific Growth R6 (RERGX)	1.97%	$4,022,957	0.46%	0.00%	0.46%	Keep	American Funds Europacific Growth R6 (RERGX)	0.46%	0.00%	0.46%
Dodge & Cox International Stock I (DODFX)	0.98%	$2,010,024	0.62%	0.10%	0.52%	Keep	Dodge & Cox International Stock I (DODFX)	0.62%	0.10%	0.52%
International - Emerging							**International - Emerging**			
Invesco Developing Markets R6 (ODVIX)	0.71%	$1,443,901	0.81%	0.00%	0.81%	Keep	Invesco Developing Markets R6 (ODVIX)	0.81%	0.00%	0.81%
Specialty							**Specialty**			
Northern Global Real Estate Index (NGREX)	0.27%	$559,406	0.48%	0.20%	0.28%	Keep	Northern Global Real Estate Index (NGREX)	0.48%	0.20%	0.28%
Fixed Income							**Fixed Income**			
Vanguard Total Bond Market Index Adm (VBTLX)	0.83%	$1,687,134	0.05%	0.00%	0.05%	Share Class Change	Vanguard Total Bond Market Index I (VBTIX)	0.04%	0.00%	0.04%
Loomis Sayles Investment Grade Bond N (LGBNX)	0.86%	$1,756,995	0.45%	0.00%	0.45%	Keep	Loomis Sayles Investment Grade Bond N (LGBNX)	0.45%	0.00%	0.45%
Calvert Bond I (CBDIX)	0.15%	$309,651	0.53%	0.10%	0.43%	Keep	Calvert Bond I (CBDIX)	0.53%	0.10%	0.43%
Lord Abbett High Yield R6 (LHYVX)	0.49%	$998,035	0.59%	0.00%	0.59%	Keep	Lord Abbett High Yield R6 (LHYVX)	0.59%	0.00%	0.59%
Vanguard Total Intl Bd Idx Admiral (VTABX)	0.29%	$596,370	0.11%	0.00%	0.11%	Keep	Vanguard Total Intl Bd Idx Admiral (VTABX)	0.11%	0.00%	0.11%
BlackRock Liquid Federal Trust Instl (TFFXX)	2.24%	$4,577,597	0.17%	0.00%	0.17%	Keep	BlackRock Liquid Federal Trust Instl (TFFXX)	0.17%	0.00%	0.17%
Voya Stable Value 35 (voyasv35)	21.67%	$44,222,464	0.35%	0.00%	0.35%	Keep	Voya Stable Value 35 (voyasv35)	0.35%	0.00%	0.35%
Target Date Funds							**Target Date Funds**			
NWCM Timeframe Income (INGclkinc)	0.11%	$219,495	0.27%	0.00%	0.27%	Keep	NWCM Timeframe Income (INGclkinc)	0.27%	0.00%	0.27%
NWCM Timeframe 2005 (INGclk2005)	0.17%	$341,387	0.27%	0.00%	0.27%	Keep	NWCM Timeframe 2005 (INGclk2005)	0.27%	0.00%	0.27%
NWCM Timeframe 2010 (ingclk2010)	0.68%	$1,391,167	0.26%	0.00%	0.26%	Keep	NWCM Timeframe 2010 (ingclk2010)	0.26%	0.00%	0.26%
NWCM Timeframe 2015 (ingclk2015)	5.55%	$11,330,360	0.26%	0.00%	0.26%	Keep	NWCM Timeframe 2015 (ingclk2015)	0.26%	0.00%	0.26%
NWCM Timeframe 2020 (INGclk2020)	4.30%	$8,772,919	0.27%	0.00%	0.27%	Keep	NWCM Timeframe 2020 (INGclk2020)	0.27%	0.00%	0.27%
NWCM Timeframe 2025 (INGclk2025)	6.12%	$12,486,746	0.26%	0.00%	0.26%	Keep	NWCM Timeframe 2025 (INGclk2025)	0.26%	0.00%	0.26%
NWCM Timeframe 2030 (INGclk2030)	1.14%	$2,333,876	0.27%	0.00%	0.27%	Keep	NWCM Timeframe 2030 (INGclk2030)	0.27%	0.00%	0.27%
NWCM Timeframe 2035 (INGclk2035)	11.95%	$24,390,193	0.28%	0.00%	0.28%	Keep	NWCM Timeframe 2035 (INGclk2035)	0.28%	0.00%	0.28%
NWCM Timeframe 2040 (ingclk2040)	1.23%	$2,514,423	0.29%	0.00%	0.29%	Keep	NWCM Timeframe 2040 (ingclk2040)	0.29%	0.00%	0.29%
NWCM Timeframe 2045 (INGclk2045)	0.85%	$1,737,802	0.29%	0.00%	0.29%	Keep	NWCM Timeframe 2045 (INGclk2045)	0.29%	0.00%	0.29%
NWCM Timeframe 2050 (INGclk2050)	4.41%	$8,997,605	0.30%	0.00%	0.30%	Keep	NWCM Timeframe 2050 (INGclk2050)	0.30%	0.00%	0.30%
NWCM Timeframe 2055 (INGclk2055)	0.71%	$1,458,991	0.30%	0.00%	0.30%	Keep	NWCM Timeframe 2055 (INGclk2055)	0.30%	0.00%	0.30%
NWCM Timeframe 2060 (INGclk2060)	0.49%	$1,000,915	0.30%	0.00%	0.30%	Keep	NWCM Timeframe 2060 (INGclk2060)	0.30%	0.00%	0.30%
NWCM Timeframe 2065 (ingclk2065)	0.13%	$267,103	0.30%	0.00%	0.30%	Keep	NWCM Timeframe 2065 (ingclk2065)	0.30%	0.00%	0.30%
Total	**100.00%**	**$204,107,235**	**0.311%**	**0.002%**	**0.309%**			**0.314%**	**0.010%**	**0.304%**

NWCM

ESG U.S. Equity Manager Search

Clackamas County

Northwest Capital Management
Q2 2022

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Executive Summary

Neuberger Berman Sustainable Equity was placed on watch by NWCM in Q2 2021 due to performance concerns and the recently announced personnel turnover in the investment team. Prior to this most recent time, the fund was on watch from Q2 2019 – Q1 2021 and Q1 2018 – Q3 2018. The strategy has historically performed well, though in more recent years, it has lagged in downside protection and was unable to navigate the volatility of the 2020 COVID pandemic as well as other U.S. Large Blend Equity managers. The fee charged by Neuberger Berman Sustainable Equity is attractive. NWCM believes there are other investment options within the U.S. ESG Equity universe that exhibit superior risk and return profiles. To confirm whether there are stronger alternatives for the fund, NWCM has conducted a manager search. NWCM reviewed the U.S. ESG Equity universe, analyzed the candidate pool, and ultimately selected the two U.S. Large Blend Equity candidates listed below as the best potential replacements.

NWCM included the following funds in the U.S. ESG Large Blend manager search, and assessed them on the metrics shown below:

	Neuberger Berman Sustainable Equity (Incumbent)	Parnassus Core Equity	BlackRock Sustainable Advantage Large Cap Core
ESG	√	√	√
Performance		√	√
Risk		√	
Style	√	√	√
Fees	√	√	√

√ Best of the category (if any)

Conclusion:

It is the view of NWCM that the weakened risk and return profile exhibited by the Neuberger Berman Sustainable Equity fund over the past several years, coupled with the recently announced personnel turnover in the portfolio management team, offer sufficient justification for replacing the fund. Considering the relative merits of the alternatives profiled in this search, NWCM has concluded that the Parnassus Core Equity fund is the strongest candidate for replacement. The fund is managed using a solid ESG process by a deeply experienced team. It has exhibited robust historical performance and risk-adjusted returns and offers fees that rank in the second quartile relative to peers. **NWCM recommends replacing the incumbent investment manager with Parnassus Core Equity for the U.S. ESG Large Blend Equity mandate.**

Summary of our Process

NWCM began the process by looking at the broader U.S. ESG Equity universe, which is agnostic with respect to market capitalization. To initially narrow the investment universe, NWCM applied various screens, including whether the share class was closed to new investors, average investment manager tenure, investment performance peer group ranking, and competitive prospectus net expense ratio. Another factor taken into consideration was proprietary information from ongoing research and meetings with the investment managers. This qualitative analysis included our perspective on the fund based on our professional relationship with the firm. NWCM was able to narrow the entire pool of U.S. ESG Equity managers to three U.S. Large Cap Blend Equity strategies, all encompassing the following characteristics:

Stable and communicative organization that efficiently supports an experienced investment team.	Consistent, thoughtful, and transparent investment process using a proprietary framework.	Ongoing risk monitoring and portfolio due diligence, leading to portfolios that achieve high performance ranking relative to peers, at a reasonable cost.

The three viable U.S. Large Cap Blend Equity strategies were compared with one another. The assessment included historical peer group rankings from common fund inception dates using quantitative data points such as performance, Sharpe ratio, standard deviation, and information ratio. From this assessment, NWCM determined the two best alternative candidates to fit the U.S. ESG Equity mandate.

The following analysis compares the top two candidates with the incumbent, Neuberger Berman Sustainable Equity. When assessing performance and risk, NWCM prefers to use rolling time periods to observe historical data rather than trailing time intervals, because the latter are often unduly influenced by the market impacts prevailing when the trailing returns are reported. This makes trailing returns more endpoint sensitive, while rolling periods are better at revealing trends through time. The following analysis assesses performance and risk over the last ten years, looking at three-year performance and risk measures on a rolling monthly basis. The managers are also assessed on investment team, strategy, and fees.

*Top 10 market share as of December 31, 2020.

Fund Highlights

Fund	Ticker	Inception Date	Primary Benchmark	Prospectus Net Expense Ratio	Minimum Investment	Open to New Investors	# of Holdings
Neuberger Berman Sustainable Equity R6	NRSRX	11/2007	S&P 500 TR USD	0.57	$0	Yes	44
Parnassus Core Equity Inst	**PRILX**	**8/1992**	**S&P 500 TR USD**	**0.61**	**$100,000**	**Yes**	**41**
BlackRock Sustainable Advantage Large Cap Core K	BIRKX	3/2015	Russell 1000 TR USD	0.44	$5,000,000	Yes	253

Parnassus Core Equity is the flagship strategy of Parnassus Investments and was started in 1992. Neuberger Berman Sustainable Equity began operation fifteen years ago (2007), while BlackRock Sustainable Advantage Large Cap Core is a relatively newer strategy begun in 2015. Both Neuberger Berman and Parnassus benchmark their strategies to the S&P 500 Index, while BlackRock benchmarks against a similar large cap index, the Russell 1000. For consistency of benchmarking purposes throughout the report, we compare the three U.S. ESG Large Blend strategies to the S&P 500 Index. This fits with NWCM's view that this benchmark accurately represents the large cap investment universe. All three funds thoroughly integrate ESG principles throughout their investment process, incorporating ESG as part of the fundamentals when researching securities as potential investments.

Neuberger Berman and Parnassus manage more concentrated strategies, holding less than 50 names in each portfolio. BlackRock is relatively more benchmark aware, holding over 200 securities in the fund.

As of most recent date sourced from Morningstar, Inc. All Rights Reserved. Strategy Inception Date shown represents the oldest share class.

Fund Highlights

Fund	Firm AUM ($Billions)*	Firm City	Manager Name	Manager Tenure (Longest)	Manager Tenure (Average)	Strategy AUM ($Billions)**
Neuberger Berman Sustainable Equity R6	$402	New York, NY	Daniel Hanson	0.1	0.1	$1.5
Parnassus Core Equity Inst	**$50**	**San Francisco, CA**	**Todd Ahlsten, Benjamin Allen, Andrew Choi**	**21.0**	**10.4**	**$26.3**
BlackRock Sustainable Advantage Large Cap Core K	$9,007	New York, NY	Travis Cooke, Anna Hawley, Richard Mathieson, Raffaele Savi	6.6	3.1	$0.7

Parnassus is a smaller firm than Neuberger Berman and BlackRock and an early pioneer to socially responsible investing. Parnassus manages five investment strategies. Parnassus Core Equity is the flagship strategy, representing over half of the firm's assets under management. The investment team for Parnassus Core Equity is deeply experienced and notably stable. Last year, Parnassus announced a new strategic partnership with AMG, a publicly traded global asset management holding company. In October 2021, AMG acquired a majority equity interest in Parnassus. NWCM anticipated the possibility of an ownership change in our Spring 2021 review of Parnassus and views the partnership between the firm and AMG as a positive development that enhances firm stability.

Neuberger Berman Sustainable Equity is experiencing portfolio management turnover due to the announcements by the co-portfolio managers Ingrid Dyott and Sajjad Ladiwala of their intentions to retire from the firm, effective December 31, 2022, and June 30, 2022, respectively. In January 2022, Daniel Hanson joined Neuberger Berman and became head of the U.S. Sustainable Equity team effective April 1, 2022. Hanson is being supported by the current U,S. Sustainable Equity team, consisting of seven professionals, in addition to the firm's Research Department. NWCM views the personnel turnover as a catalyst for conducting a manager search to potentially replace Neuberger Berman Sustainable Equity.

BlackRock manages over $9 trillion in assets, though the Sustainable Advantage strategy is still relatively small, with less than $1 billion in assets.

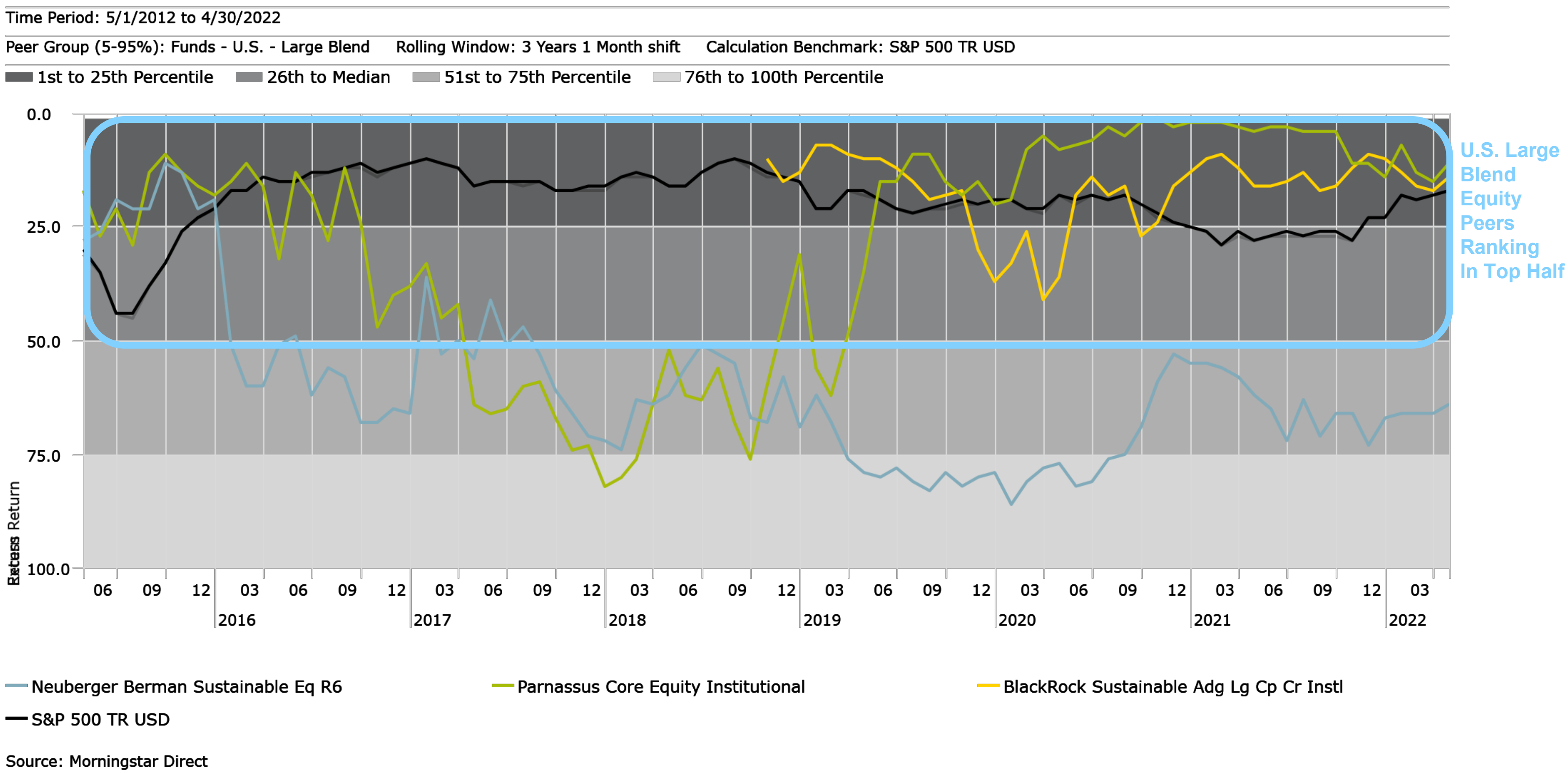
*Firm AUM ($Billions) sourced from the respective investment managers as of 3/31/2021. **Strategy AUM ($Billions) sourced from Morningstar, Inc. as of most recent date. As of most recent date sourced from Morningstar, Inc. All Rights Reserved.

ESG Process

Fund	Process of ESG Integration
Neuberger Berman Sustainable Equity R6	• The strategy integrates ESG as a part of the fundamentals-based due diligence process, looking at: environmental impact, workplace policies, community impact, sustainable supply chains, product integrity, and governance and disclosure. The strategy screens out issuers involved in gambling, alcohol, tobacco, weapons, or nuclear power, companies driving total revenue from non-consumer sales to the military, and companies whose business materially involves the exploration and production of fossil fuels. • Neuberger Berman has been a signatory of the UN Principles for Responsible Investment (PRI), a network of investors promoting sustainable investment through incorporation of ESG, since June 2012.
Parnassus Core Equity Inst	• Parnassus has been integrating ESG since the inception of the firm. The strategy identifies high-quality companies with positive ESG profiles, looking at key ESG issues by sector. The strategy screens out issuers involved with fossil fuels, alcohol, weapons, tobacco, gambling, and nuclear power. • Parnassus has been a signatory of the UN PRI since April 2008.
BlackRock Sustainable Advantage Large Cap Core K	• The strategy integrates a holistic view of ESG principles, assessing sustainability insights in addition to company fundamentals, market sentiment, and macro themes. BlackRock's proprietary ESG model is used alongside the return forecast model, balancing financial and ESG considerations. The strategy screens out issuers involved with weapons, tobacco, thermal coal generation and oil sands extraction. • BlackRock has been a signatory of the UN PRI since October 2008.

Performance – Rolling Return

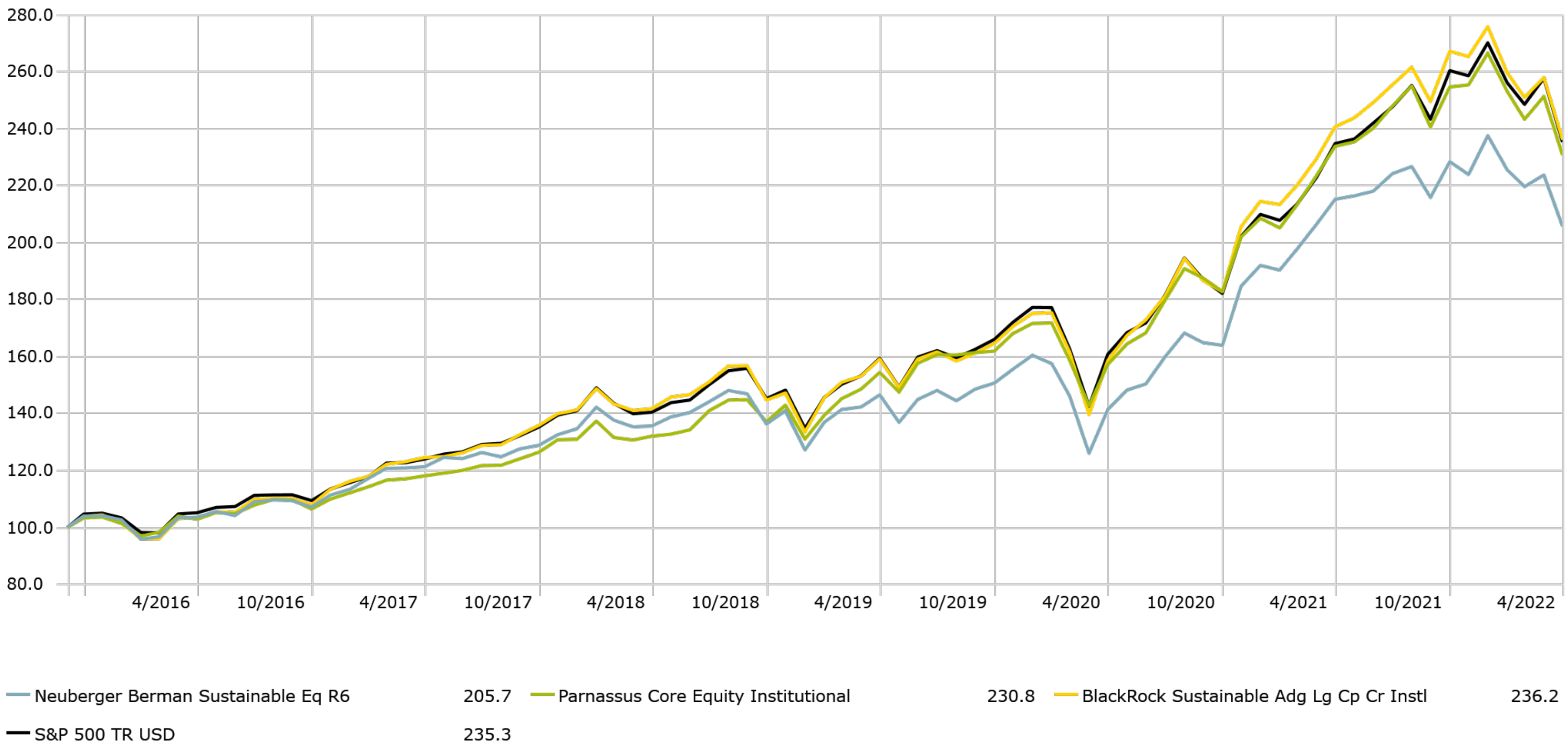
The graph below looks at rolling three-year returns, going back ten years. The incumbent, Neuberger Berman Sustainable Equity, has historically generated returns ranking in the third quartile among U.S. Large Blend Equity peers. The U.S. Large Blend Equity peer group consist of both ESG and non-ESG mandated investment strategies. In comparison, Parnassus Core Equity and BlackRock Sustainable Advantage Large Cap Core have fared well within the investment universe, with historical returns ranking in the top half of peers and outperforming the broad S&P 500 Index in more recent years.



Performance – Investment Growth of $100

The graph below looks at the growth of $100 for the three actively-managed U.S. ESG Equity funds, as well as the benchmark, since a common inception date. A $100 investment in Parnassus Core Equity nearly seven years ago, based on the performance of the fund, would be worth $230.80 as of April 30, 2022. Of the funds shown, BlackRock is the top performing manager over the time period, with a value of $236.20. A like investment in the benchmark would be worth $235.30, and invested in the incumbent, Neuberger Berman, would be worth $205.70.

Time Period: Since Common Inception (10/6/2015) to 4/30/2022

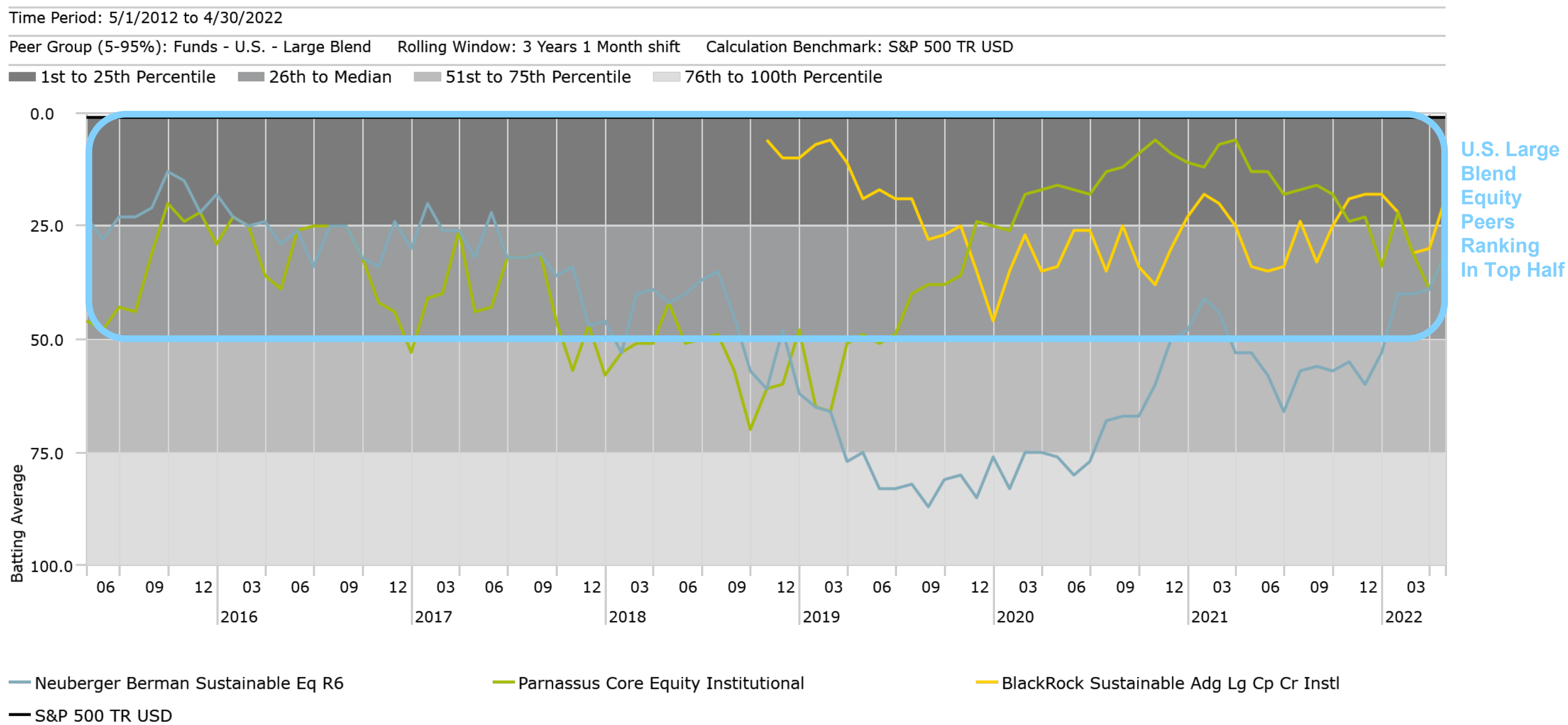


Source: Morningstar Direct

Performance – Batting Average

Batting Average is used to measure a manager's frequency in matching or beating a benchmark index during a given time interval. Two important considerations of Batting Average are that the measurement considers neither risk taken nor the scale of a fund's excess return relative to the benchmark.

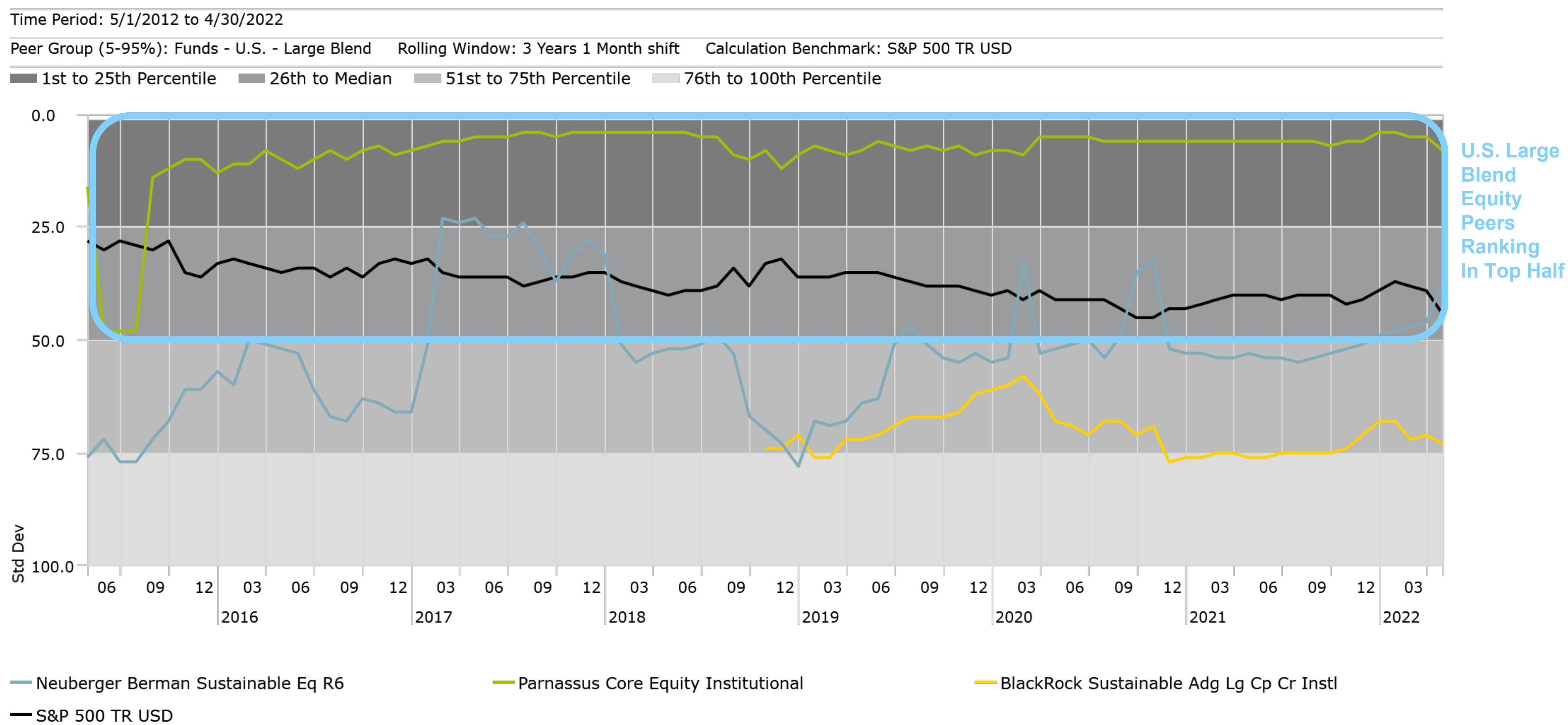
The graph below illustrates the rolling three-year Batting Average relative to the S&P 500 Index for the U.S. Blend peer group, going back ten years. Over the time shown, Neuberger Berman's Batting Average has trended from top to bottom half of peers, whereas both Parnassus and BlackRock have been consistently above the median for the peer group.



Source: Morningstar Direct

Risk – Standard Deviation

Funds with lower relative risk (volatility), as measured here by rolling standard deviation, rank in the top half of peers in the graph below. Historically, Parnassus Core Equity has exhibited less volatility than the benchmark and the other two ESG U.S. Equity managers shown, ranking in the top quartile relative to peers. The standard deviation for the S&P 500 Index has historically ranked in the second quartile relative to the universe, illustrating that the majority of investment managers in the illustrated peer group have struggled to mitigate volatility relative to the index. Both Neuberger Berman and BlackRock have generally exhibited higher relative volatility than the peer group median and index, as measured by standard deviation.



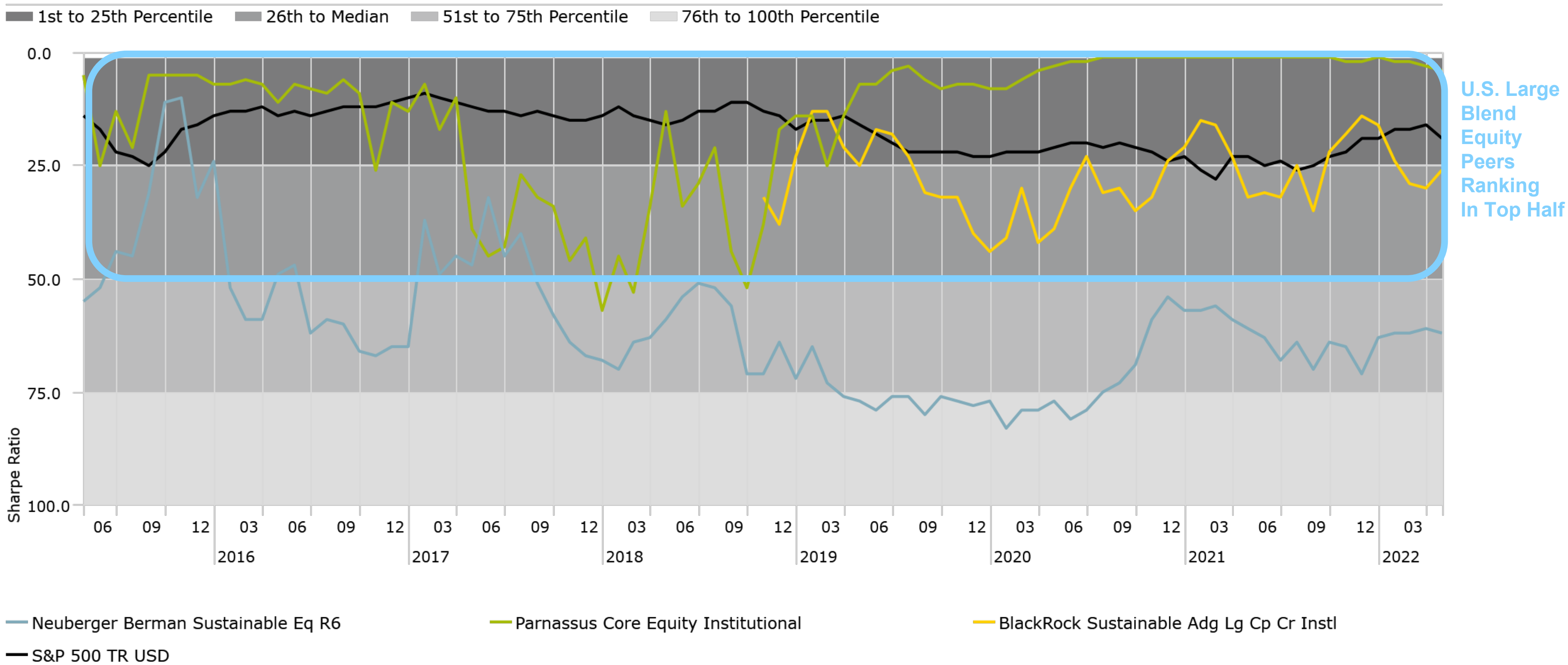
Source: Morningstar Direct

Risk – Sharpe Ratio

A high Sharpe Ratio indicates a high return for the amount of risk taken, which will tend to rank well amongst peers. Historically, Neuberger Berman has often exhibited a Sharpe Ratio ranking in the bottom half of peers, indicating a lower return per unit of risk taken. The Sharpe Ratio for both Parnassus and Blackrock have historically fluctuated above and below that of the index. The Sharpe Ratio for Parnassus Core Equity has been extremely strong during the 2020-2022 COVID pandemic, indicating that the strategy's low relative standard deviation has been beneficial during this period of high market volatility.

Time Period: 5/1/2012 to 4/30/2022

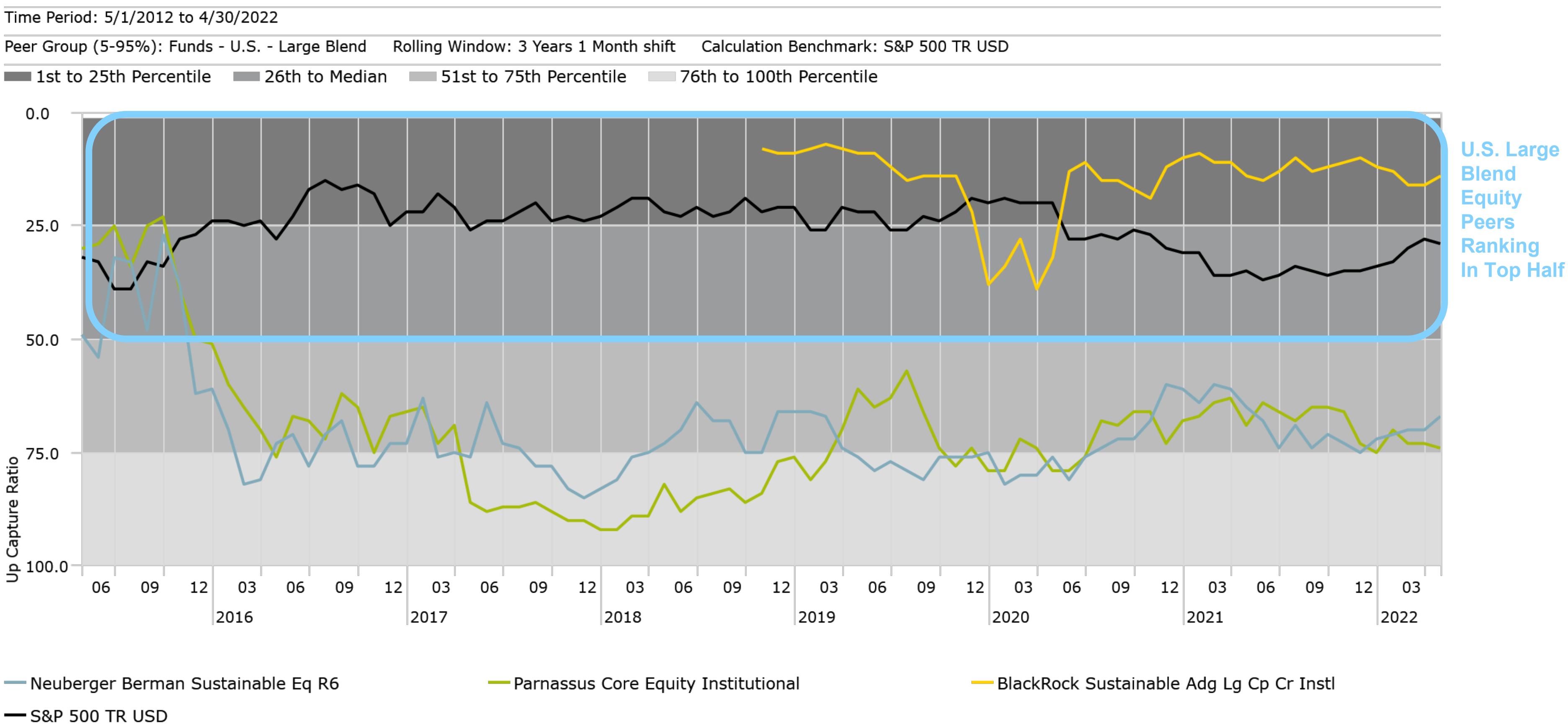
Peer Group (5-95%): Funds - U.S. - Large Blend Rolling Window: 3 Years 1 Month shift Calculation Benchmark: S&P 500 TR USD



Source: Morningstar Direct

Risk – Upside Capture

Upside Capture represents a manager's ability to participate in the positive returns in bull markets. The benchmark's Upside Capture has historically ranked well relative to the universe, illustrating that U.S. Large Blend Equity funds have difficulty outperforming the benchmark when the market is performing well. Given its benchmark-aware approach, BlackRock has historically high Upside Capture, outperforming the benchmark while it was performing well for most periods. Both Neuberger Berman and Parnassus, with their more concentrated strategies and lower correlation to the benchmark, have had historically low Upside Capture relative to peers.



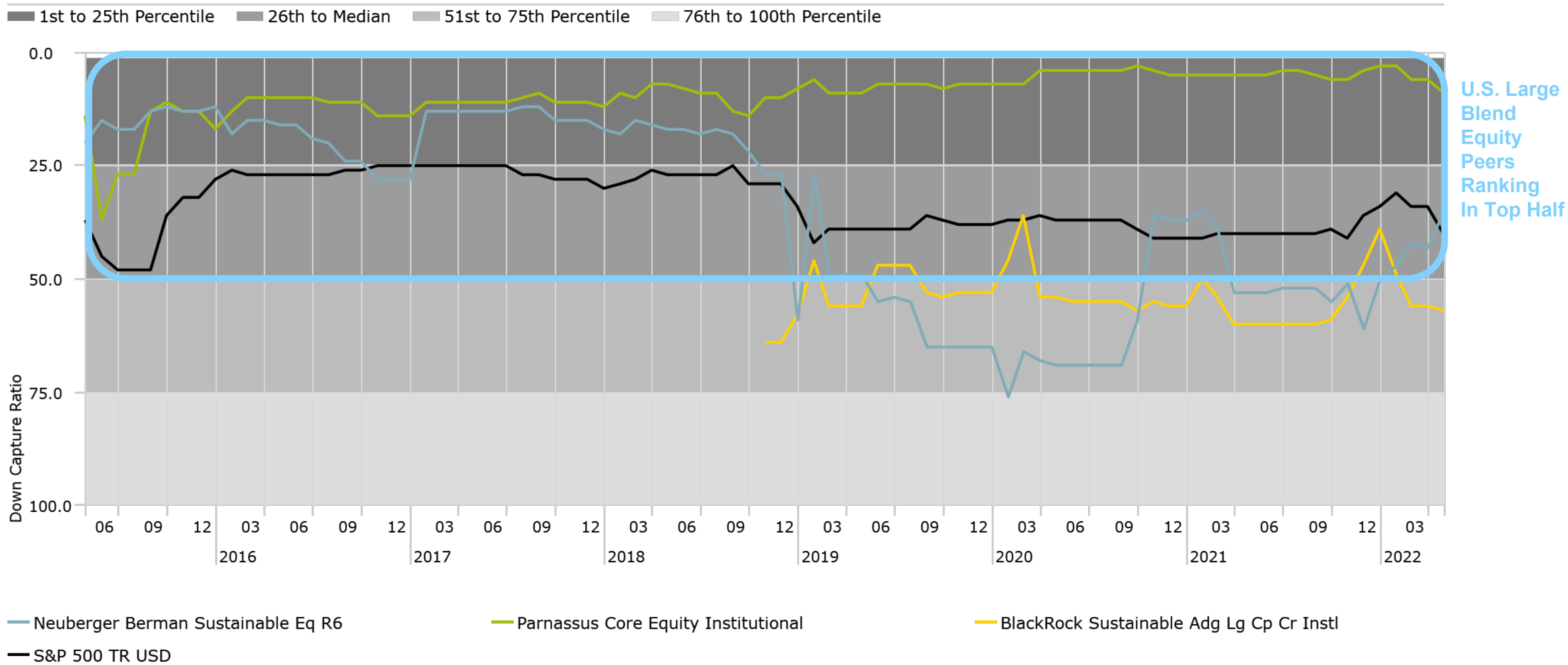
Source: Morningstar Direct

Risk – Downside Capture

Downside Capture represents a manager's ability to protect returns in bear markets by outperforming the market when it's falling. With it's lower risk profile, Parnassus has historically exhibited strong downside protection, with Downside Capture consistently ranking in the top quartile relative to U.S. Large Blend Equity peers. Similar to Upside Capture, the benchmark's Downside Capture has historically ranked well relative to the universe, illustrating that U.S. Large Blend Equity funds have difficulty outperforming the benchmark during bear markets. Neuberger Berman previously exhibited strong Downside Capture until more recent periods, while BlackRock has historically struggled to protect returns in periods of down markets.

Time Period: 5/1/2012 to 4/30/2022

Peer Group (5-95%): Funds - U.S. - Large Blend   Rolling Window: 3 Years 1 Month shift   Calculation Benchmark: S&P 500 TR USD

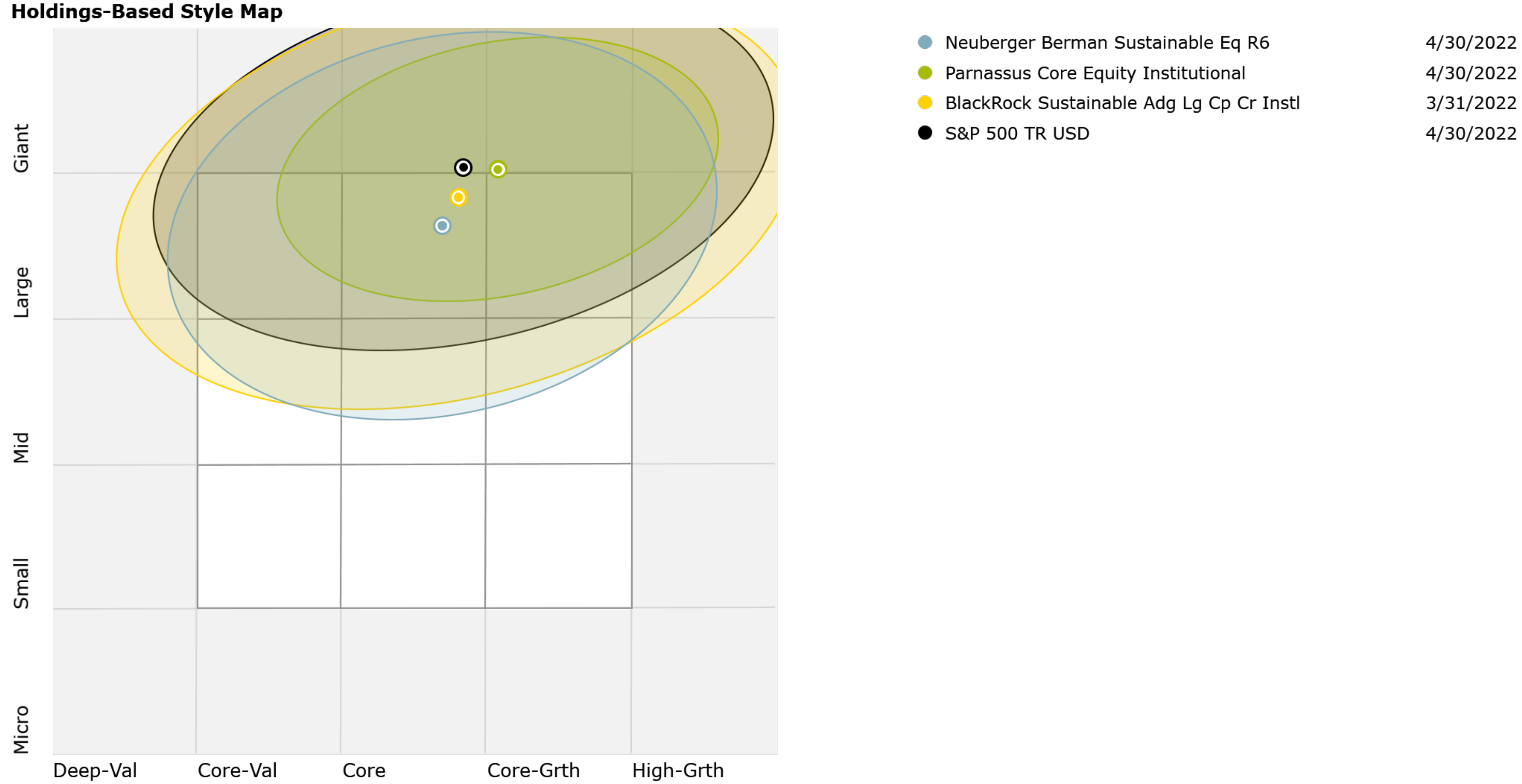


Source: Morningstar Direct

Portfolio – Style

The chart below is a holdings-based style map, showing where the three funds and benchmark styles have mapped over the last three years. All three funds plot similar to the benchmark. Parnassus Core Equity style tilts a bit Core-Growth, whereas Neuberger Berman market cap tilts less towards Giant and more towards Large.

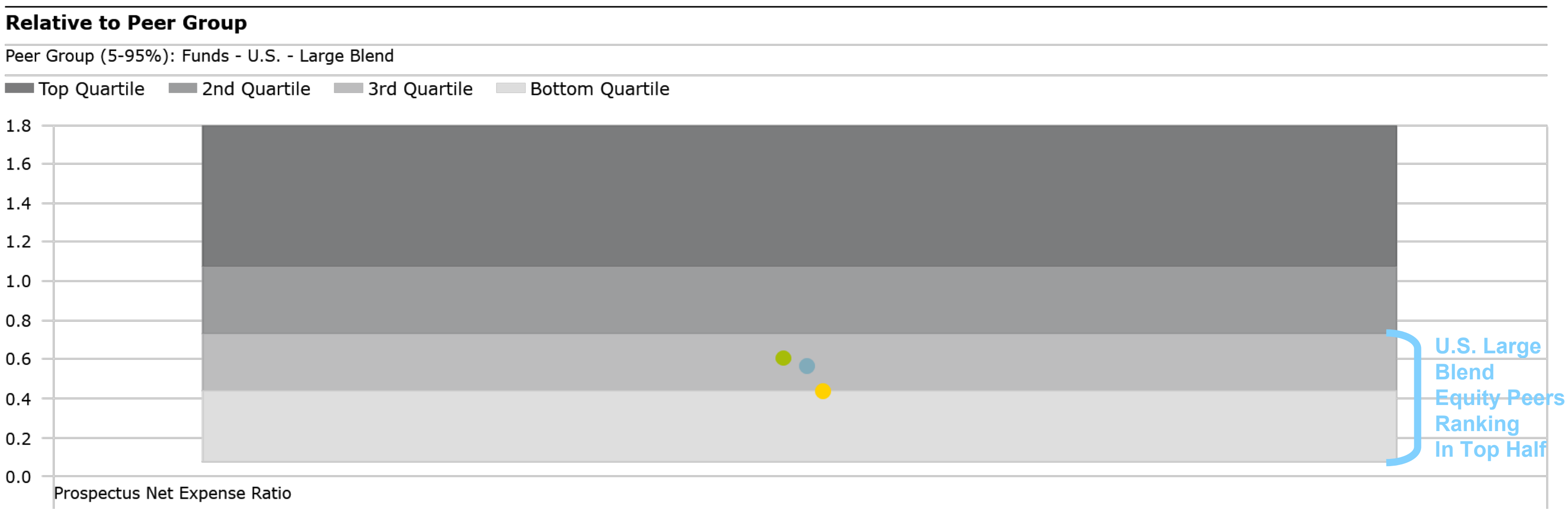
Holdings-Based Style Map



Source: Morningstar Direct

Fees

The prospectus net expense ratios of all three U.S. ESG Equity strategies are attractive, ranking in the top half relative to U.S. Large Blend Equity peers. BlackRock Sustainable Advantage Large Cap Core is the least expensive option, ranking near the top quartile relative to peers. The prospectus net expense ratio for Neuberger Berman and Parnassus Core Equity rank similarly, charging 57 and 61 basis points, respectively.



Fund	Ticker	Prospectus Net Expense Ratio %	Minimum Investment	Open to New Investors
Neuberger Berman Sustainable Equity R6	NRSRX	0.57	$0	Yes
Parnassus Core Equity Inst	PRILX	0.61	$100,000	Yes
BlackRock Sustainable Adv. Large Cap Core K	BIRKX	0.44	$5,000,000	Yes

Conclusion

It is the view of NWCM that the weakened risk and return profile exhibited by the Neuberger Berman Sustainable Equity fund over the past several years, coupled with the recently announced personnel turnover in the portfolio management team, offer sufficient justification for replacing the fund. Considering the relative merits of the alternatives profiled in this search, NWCM has concluded that the Parnassus Core Equity fund is the strongest candidate for replacement. The fund is managed using a solid ESG process by a deeply experienced team. It has exhibited robust historical performance and risk-adjusted returns and offers fees that rank in the second quartile relative to peers. **NWCM recommends replacing the incumbent investment manager with Parnassus Core Equity for the U.S. ESG Large Blend Equity mandate.**

	Neuberger Berman Sustainable Equity (Incumbent)	Parnassus Core Equity	BlackRock Sustainable Advantage Large Cap Core
ESG	√	√	√
Performance		√	√
Risk		√	
Style	√	√	√
Fees	√	√	√

√ Best of the category (if any)

Parnassus Core Equity Institutional PRILX

Firm Name	Parnassus	**Asset Class**	Equity
Firm-wide AUM	$50 Billion	**Sub-Style**	US Large Blend
Strategy AUM	$26.3 Billion	**Most Suitable Benchmark**	S&P 500 Index
Strategy Inception	8/31/1992	**Net Expense Ratio**	0.61%
Investment Approach	Active	**# of Holdings**	~40

OVERVIEW

The Parnassus Core Equity Fund is the flagship strategy of Parnassus Investments, a San Francisco-based investment firm founded in 1984 by Jerome Dodson, an early pioneer in socially responsible investing. Both the firm and its flagship Core Equity strategy have experienced exponential growth in recent years based largely on the strong, long-term, performance of the fund and its notable downside protection. Underlying this performance is a robust, disciplined, process-driven investment approach that successfully integrates ESG research with fundamental research. NWCM views this as the preferable approach as it contributes to a more holistic understanding of the companies being researched and fully embraces ESG considerations as risk mitigators aligned with the strategy's quality bias. The team has been notably stable over the years, growing organically through an internship program that has contributed significantly to a shared culture that embraces adherence to the firm's investment principles. NWCM views the investment team as experienced with differentiated views and insights and the key members driving the Core Equity strategy. As such, key-person risk exists with respect to these individuals. NWCM believes Parnassus Core Equity will continue to add value over intermediate and longer-term periods.

INVESTMENT PROCESS

The investment team utilizes a bottom-up, fundamental research process to identify companies that have increasingly relevant products or services, sustainable competitive advantages, quality management teams, and positive ESG profiles.

The process begins with the sector teams trimming down their respective sectors by applying quantitative screens (e.g., ROIC) and standard exclusionary screens (fossil fuel, alcohol, weapons, gambling, and nuclear power) to the strategy's investible universe of the 1000 largest US names, reducing that universe to about 400 names. Associated revenues of 10% is usually enough to exclude a name, but the process is more nuanced than that as they attempt look at every company's circumstances individually. The cut-off may be 5-6% of revenues if it is from the manufacture of weapons and depending on what else the company does. For a cardboard supplier that sells cardboard for packaging to tobacco companies, the cut-off for associated revenue might be a little higher than 10%, again depending on what else the business does.

Following this, efforts are then focused on identifying companies with growing intrinsic value using their three lenses of relevancy, moat, and management.

The team considers relevancy the most important in that if a business does not have this trait, then it does not have a moat and there is a good chance it's a value trap. The team assesses if a company's products or services are gaining share in the overall economy to help gauge their potential relevance to customers over at least the next three-years. Four key considerations with regards to relevancy are disruptive technology, current penetration, secular trends, and risk of substitution.

The team believes that companies need a good moat to consistently earn more than their cost of capital. The team focuses on historical returns on capital and the durability of the specific factors that comprise its competitive advantages. The goal is to understand how well the company can defend its business against competitors and new entrants. Key considerations are switching costs, network effect, regulation, low cost, patents, and brand.

Regarding management, the team considers whether the views of the company management are consistent with their own regarding moat and relevancy. Areas of focus include capital allocation, incentives, business ethics, board structure, ownership by management, workplace culture and other corporate governance factors. On capital allocation, the team believes there is no right answer other than that the way management approaches it needs to be consistent with the views of the portfolio managers. There is no requirement to meet management face-to-face before buying, but they will at least conference call with company management and follow up with a formal in-person meeting within a year after purchase. Who to the team talks with when meeting management depends on the type of business, and if takes effort to talk to the right people, it can be seen as a red flag in the area of disclosure and transparency.

For those candidates receiving more focused research, the team will establish three-year price targets with revenue models for three different scenarios (i.e., the bear case, the base case, and the bull case) to better understand and estimate the range of outcomes. Additionally, the team will model a fourth “doomsday scenario” that is more of a binary outcome exercise to help them understand what would be the worst that could happen, however improbable, that would lead to a permanent loss of capital. These scenarios help the team understand the fundamental drivers of an investment’s potential downside. Stocks are ranked by the models from highest to lowest expected returns over the next three years.

While consensus estimates are reviewed, they are focused on the short-term. To determine what longer-term expectations are priced into a stock, outliers are removed and the team then extrapolates the consensus estimates by considering available industry and company information and overlaying that with their own judgments regarding whether the inputs to the estimates are reasonably accurate. Focus is placed on sales growth, operating margin, and any other drivers that may cause a difference between the growth in operating earnings and earnings per share. The portfolio managers then set the level of required annual internal rate of return (“IRR”) for the stock over the next three years based on the range of outcomes established by the team. The required annual IRR of a given case is based upon their risk assessment to determine the predictability of the business model and the volatility of the stock.

In setting the IRR, portfolio managers also consider portfolio positioning and factor exposure. Once a stock has been identified as a potential investment, the portfolio managers may decide to add it to their portfolios, choosing a point in time when they believe that the current price will yield a favorable risk-adjusted return. Position sizing is influenced by business quality and valuation factors.

When a research analyst recommends a stock, they also recommend a position size along with a recommendation of at what price they would take the position up 100 basis points or down 100 basis points. Initial position sizes typically range from 1-3%. Names in the portfolio have a specific researcher attached to them, and most of the ideas receiving deeper fundamental research come from the research analysts rather than the portfolio managers. The portfolio managers believe that having analysts make the recommendations, including position size, makes them better analysts. Analysts are also free to look outside their area of specialty. For example, a specialist in financials is free to pursue ideas outside her area and the process allows those with sector expertise to push back. This is part of their approach to grooming the next generation of portfolio managers.

Sell decisions are made on the same basis as the buy decisions. Sell decisions may be initiated to address changes in a company's relevancy, moat, management, ESG profile, valuation, or the company's sector. The portfolio managers will sell out of a position entirely if the team thinks a company's products or services will be less relevant in the future, if there is significant deterioration in the company's competitive advantages, or if the company's management is not acting in the shareholders' best interests. They also will fully exit a position if the team learns of previously undisclosed or new negative ESG factors and company management is unwilling to engage with Parnassus about remedies to these issues. The portfolio managers will exit an entire position due to valuation if they no longer believe that the security can achieve the risk-adjusted required IRR at the current price. A holding may also be sold due to changes in the profile of its sector.

ESG Efforts

The team does not attempt to screen the entire investible universe from an ESG perspective. Instead, ESG research is conducted in parallel for each name an equity researcher chooses to pursue. Because the ESG team is working in parallel with the fundamental team and focused on a much smaller list of names, they are able to take more time to research the issues. The ESG work complements the fundamental research and serves as a risk mitigator. The ESG work provides more of a binary decision and does not affect position sizing.

Those companies that pass the exclusionary screens and have sponsorship by a portfolio manager undergo deeper research by both the fundamental and ESG analyst teams to identify their risks and opportunities. The ESG team assesses each company's environmental, social and governance record, including their environmental impact; how they treat their employees; the quality of their relationships with local communities, customers, and the supply chain, and their corporate governance policies and practices. This analysis emphasizes those issues that are most relevant and risks that are most material to the company and compares the company under review with their peers. The team evaluates both the company's current profile on these issues and whether that profile is improving or deteriorating. For example, ESG research on an industrial company may emphasize employee health and safety and environmental impact relative to others in the same industry, whereas ESG research on a technology company may emphasize workplace positives and data security.

Once a holding has been purchased, the ESG team continues to monitor the key ESG factors for the company, identifies engagement opportunities and tracks information to inform the firm's proxy voting decisions. The team conducts an ESG review of all portfolio companies at least annually.

In the past, the firm was at the low end of corporate engagement in terms of filing resolutions and exercising their rights as shareholders to influence corporate behavior and, instead, preferring to talk to management directly. However, the firm has become more active in more formal engagement in recent years.

Portfolio Construction

The portfolio is somewhat concentrated at about 40 names compared to many peers. Diversification guidelines include a maximum position size of 5% at cost, a maximum sector weight of 2x the S&P 500 benchmark, a maximum of 25% in any one industry, and cash position that can range from 1-10% of portfolio assets. Additionally, 75% of the portfolio may not be invested in positions over 5% of total net assets.

The strategy can invest up to 20% in non-US holdings, typically through ADRs. At least 75% of the portfolio's total assets are invested in equity securities that pay dividends. The remaining 25% may be invested in non-dividend-paying equity securities.

Initial position sizes are typically 1-3% and are considered “core capital.” The portfolio managers may choose to increase the position size to profit from short-term volatility. This incremental investment is called “opportunistic capital.” The portfolio managers will sell the opportunistic portion of an investment when the stock price recovers from a temporary weakness or if the investment team finds better opportunities. It is important to note that all positions in the portfolio have a core capital component, and that no position is comprised only of opportunistic capital.

The portfolio has been historically underweight financials and consumer discretionary as they believe wide moats are hard to find in these areas. The portfolio has been historically overweight healthcare, industrials, and consumer staples.

Efforts at aggregate portfolio risk management have largely remained unchanged. Until recently, third-party risk tools were not utilized. Instead, risk management was solely addressed at the individual holding level through fundamental research and by modeling best- and worst-case scenarios, which is typical for a boutique, fundamental, bottom-up manager. However, the investment team now incorporates Axioma modeling for quantitative risk assessment, which allows them to review active exposures, factor exposures and predicted betas of the portfolios managed by the firm. Axioma helps the team identify and address unintentional risks in the portfolio and provides insight into the source and amount of tracking error, which helps the team maintain style purity. The managers believe that primary risk management is knowing the names that they hold.

FUND MANAGEMENT

On July 6th, 2021, Parnassus Investments (Parnassus) announced a new strategic partnership with Affiliated Managers Group (AMG), a global asset management company that is publicly traded. AMG will acquire a majority equity interest in Parnassus. The transition closed on October 4th, 2021. AMG has over 30 independent affiliates worldwide, managing an aggregate of $814 billion in assets across over 500 investment strategies. AMG is prided on their partnership approach that enables affiliates to maintain a significant equity ownership as well as operational and investment autonomy. NWCM anticipated the possibility of an ownership change in our Spring 2021 review of Parnassus and views the partnership between the firm and AMG positively. AMG has proven to be an equitable partner over the past 25 years. The transaction provides Parnassus with additional resources and can aid their retention of investment talent.

Parnassus is based in San Francisco, managing four fundamental U.S. equity strategies across multiple market capitalizations and one U.S. fixed income strategy. The firm began to experience significant asset growth after exceptionally strong relative performance in 2008 and initial marketing efforts in the institutional space. Since then, the firm’s asset growth has been exponential, from $1.8 billion in 2008, to nearly $43.8 billion by the March 31, 2021. Given the firm’s growth and strong performance in the ESG space in recent years, NWCM anticipated Parnassus as an attractive target for acquisition by larger investment firms.

Finding a partner to take majority ownership has long been a part of the succession plan for Jerome Dodson, Chairman and Founder of Parnassus. The Dodson family currently owns two-thirds of the Parnassus business. In January 2017, Jerome stepped down as President, passing the title on to Benjamin E. Allen, portfolio manager of the firm’s largest fund Parnassus Core Equity Fund. This was an intentional signal to stakeholders that Mr. Allen would soon take on the role of Chief Executive Officer, which occurred in May 2018. Jerome remained a chairperson of the Parnassus Board of Trustees and lead portfolio manager on the Parnassus Endeavor Fund until the end of 2020. The team at Parnassus have always anticipated finding a partner to succeed Mr. Dodson, applying high standards and remaining patient in this process.

Mr. Dodson, Mr. Allen, and other executive officers at Parnassus have been in contact with AMG for over ten years, building a strong relationship and understanding AMG’s business model. Permanence and stability were important aspects to Parnassus when searching for a partner; AMG's partnership is permanent and will allow complete autonomy for Parnassus. As part of the transaction, there was no changes to Parnassus funds, tickers, or the firm's research process. Employee hiring and new product development will also be determined at Parnassus' discretion. There were also no lay-offs or changes to personnel at Parnassus as a result of this partnership. Partnering with AMG allows Parnassus to provide liquidity to employees who are retiring, while also expanding equity opportunities for all employees. With the completion of the transaction, all portfolio managers at Parnassus have become owners whereas previously they were not. Ownership will also have a long-term retention incentive with this partnership, in which an employee who is an owner will be able to sell their equity back to AMG after ten years of service. This encourages portfolio managers to remain at Parnassus for at least ten years.

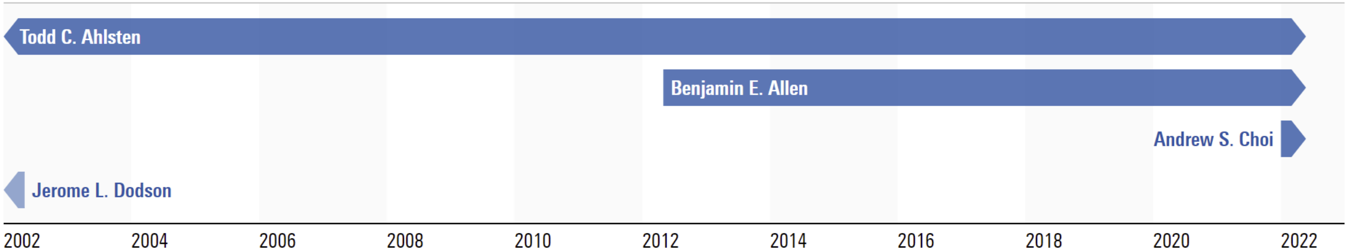
The firm has a team of 18 investment professionals. This includes nine portfolio managers who also serve as senior research analysts, four dedicated fundamental research analysts, four dedicated ESG research analysts, and one trader. While team members have areas of specialty, all are considered to be generalists and encouraged to think like portfolio managers. Jerome Dodson was the portfolio manager of the Core Equity strategy from its August 1992 inception until May 2002. Todd Ahlsten joined Mr. Dodson as a second portfolio manager for the Fund in May 2001. Mr. Ahlsten then became the sole portfolio manager from May 2002 until Benjamin E. Allen was added as a second portfolio manager in May 2012. Parnassus recently announced Andrew Choi as the third portfolio manager on the strategy, who was promoted from Senior Research Analyst, and joined the investment team on January 3, 2022. Mr. Ahlsten and Mr. Allen recently signed 10-year employment agreements with the AMG partnership.

Mr. Ahlsten is currently lead portfolio manager for the Core Equity strategy. He joined Parnassus Investments in 1995 as a research analyst and was previously a research intern at the firm. In 1998, Mr. Ahlsten was promoted to director of research and subsequently became portfolio manager of the Core Equity strategy in 2001. He became chief investment officer in 2008. Mr. Ahlsten received his bachelor's degree in business administration from the University of California, Berkeley with an emphasis in finance and accounting.

Benjamin E. Allen is a co-portfolio manager of the Core Equity strategy. He joined the Parnassus in 2005 as a senior research analyst and was previously a research intern at the firm as well. In 2008, Mr. Allen was promoted to director of research and subsequently became co-portfolio manager of the Core Equity strategy in 2012. Prior to joining the firm, Mr. Allen worked at Morgan Stanley in New York, first as an investment banking analyst and later in the firm's venture capital group. Raised in Massachusetts, he is an alumnus of the Boston Latin School. Mr. Allen graduated from Georgetown University with a bachelor's degree in government and completed the general course in philosophy at the London School of Economics. Mr. Allen received his master's degree in business administration from the University of California, Berkeley.

Andrew Choi is another co-portfolio manager of the Core Equity strategy. He joined Parnassus in 2018 as a Senior Research Analyst. He was trained and vetted by Mr. Ahlsten, Mr. Allen, and other investment team leaders. Mr. Choi received his bachelor's degree in Chemistry from Princeton University and his master's degree in Business Administration from Harvard Business School.

Manager Timeline



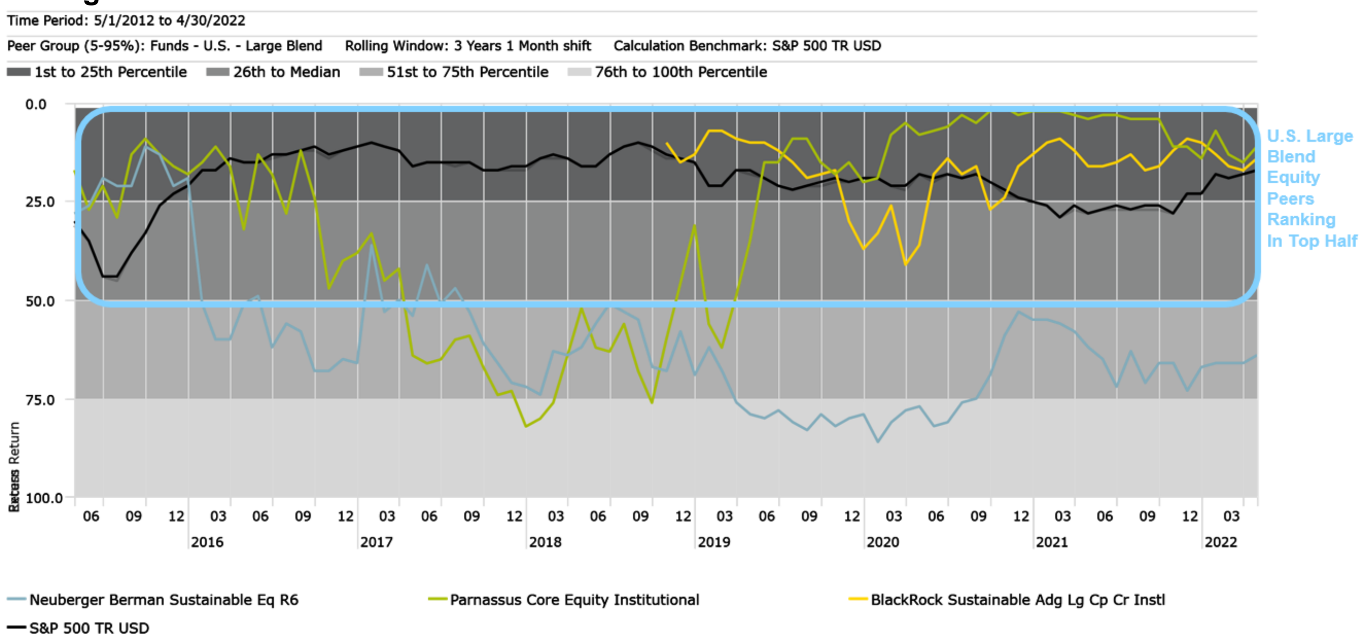
FEES

Based on the Institutional share class (PRILX), the fund's expense ratio of 0.61% is attractive, ranking in the second-lowest quintile of its Morningstar US large blend peer group.

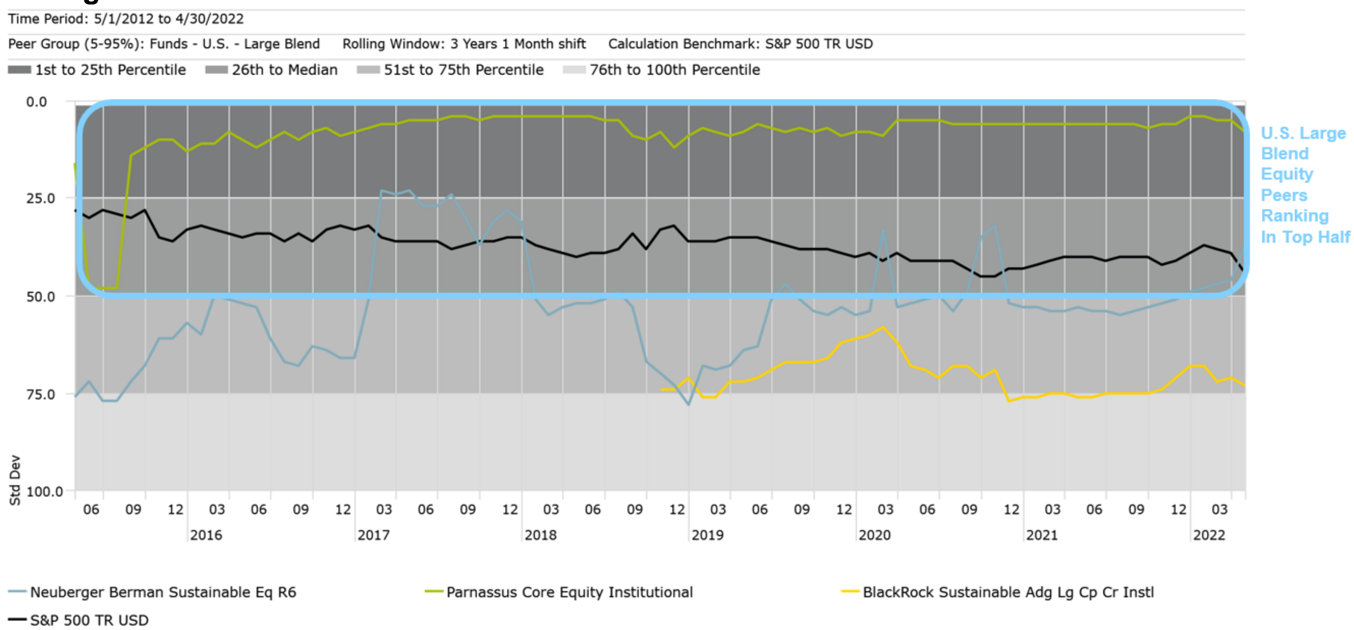
PERFORMANCE & RISK PROFILE

The U.S. Large Blend Equity peer group consists of both ESG and non-ESG mandated investment strategies. Parnassus Core Equity has historically performed well relative to the U.S. Large Blend Equity universe, with returns ranking in the top half of peers and, in more recent years, outperforming the broad S&P 500 Index. Historically, Parnassus Core Equity has exhibited less volatility than the benchmark and the other two ESG U.S. Equity managers shown, ranking in the top quartile relative to peers. The risk (volatility) for the S&P 500 Index, as measured by standard deviation, has historically ranked in the second quartile relative to peers, illustrating that the majority of investment managers in the peer group have struggled to mitigate volatility. Given its relatively low risk profile, it is not surprising that Parnassus Core Equity has historically exhibited solid relative downside protection, with its Downside Capture ratio consistently ranking in the top quartile relative to its U.S. Large Blend Equity peers.

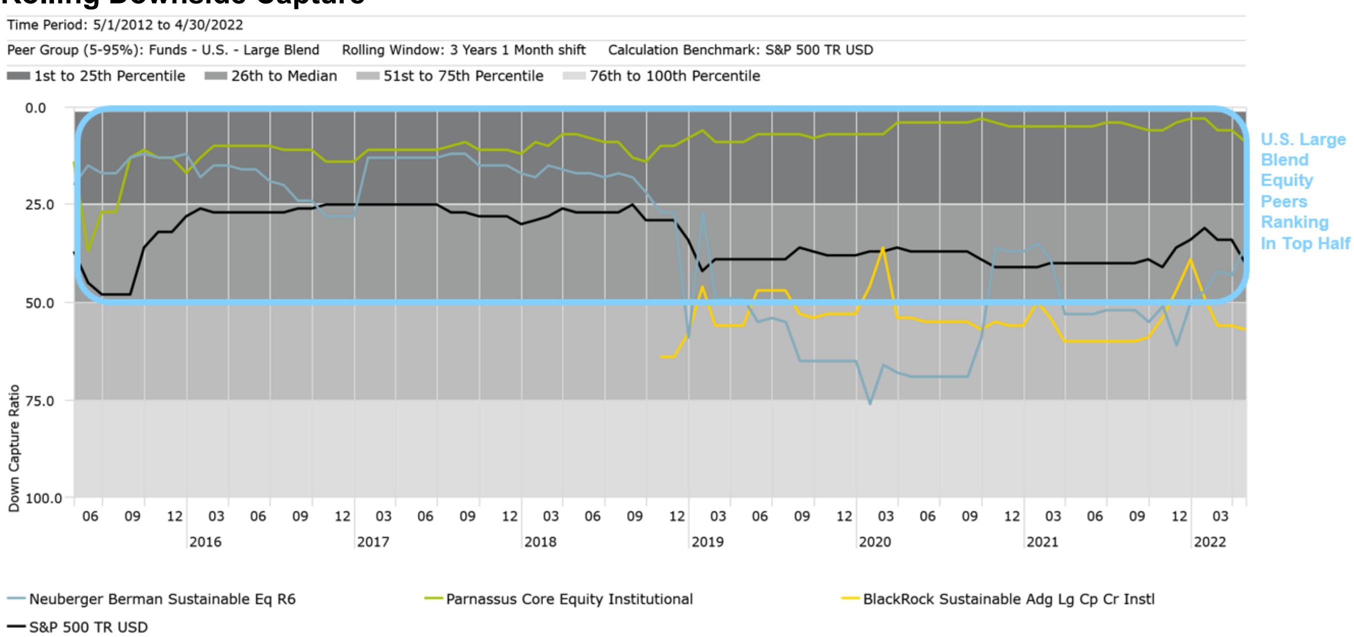
Rolling Return



Rolling Standard Deviation



Rolling Downside Capture



DISCLOSURES